



Department of Energy
Washington, DC 20585

December 28, 2006



Chairman Charles D. Nottingham
Office of Chairman
Surface Transportation Board
1925 K Street, NW, Suite 820
Washington, D.C. 20423-0001

RE: Docket Nos. 38302S and 38376S

218355 *218356*
ENTERED
Office of Proceedings

DEC 28 2006

**Part of
Public Record**

Dear Chairman Nottingham:

The order entered in these dockets July 27, 2005 (served August 2, 2005, and effective September 1, 2005), approving the Government's settlement agreement with Union Pacific Railroad Company, further held these proceedings in abeyance while directing the Government to file quarterly reports on the progress of settlement negotiations. The Government continues to seek settlement and is currently actively engaged with two of the remaining railroad defendants, BNSF and Norfolk Southern. While we are not yet in a position to report an agreement with either carrier, since our last report the Government has had separate, and in our view constructive, exchanges with both railroads. We will file a further report by the end of March 2007.

Sincerely,

Stephen C. Skubel
Assistant General Counsel
For Litigation
(202) 586-5579

cc: Vice Chairman Francis P. Mulvey
Board Member W. Douglas Buttrey
Attached Service List



CERTIFICATE OF SERVICE

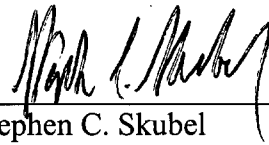
I, Stephen C. Skubel, hereby certify that on this 28th day of December, 2006, I served a copy of the foregoing document by prepaid first-class mail on the following:

Aberdeen & Rockfish R.R. Co. P.O. Box 917 Aberdeen, NC 28315	Buffalo & Pittsburgh Railroad c/o Genesee & Wyoming, Inc. 66 Field Point Road Greenwich, CT 06830
Montana Rail Link, Inc. 101 International Way Missoula, MT 59808	James R. Paschall Greg E. Summy Norfolk Southern Railway Company Three Commercial Place Norfolk, VA 23510
Richard A. Porach G.E. Neunschwander Pittsburgh & Lake Erie 49 Pius Street Pittsburgh, PA 15203	Michael E. Roper The Burlington Northern and Santa Fe Railway Company 2500 Lou Menk Drive, 3rd Floor Fort Worth, TX 76131
Paul Hitchcock Associate General Counsel CSX Transportation, Inc. 500 Water Street - J150 Jacksonville, FL 32202	Theodore K. Kalick Canadian National Railway Company 601 Pennsylvania Avenue, N.W. Suite 500 North Building Washington, D.C. 20004
Chris Guzzi Deborah Sedaris Providence & Worcester Railroad Co. 75 Hammon Street Worcester, MA 01610	Robert G. Culliford, Esq. Guilford Transportation System Iron Horse Park North Billerica, MA 01862
Richard D. Robey, President North Shore Railroad Company 356 Priestly Avenue Northumberland, PA 17857	Tom Arnst, Esq. RailTex 4040 Broadway Suite 200 San Antonio, Texas 78209
John R. Nadolny 14 Aviation Avenue Portsmouth, NH 03801	Ronald E. Fittrow 500 Water Street Jacksonville, FL 32202

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Louise A. Rinn
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Stephen C. Skubel